

Identifying the missing credit score category

After reviewing basic facts about the lending process and credit scores, students play a game to reinforce their understanding of what goes into a credit score.

Learning goals

Big idea

When lenders determine eligibility for a loan, they consider many factors, including a person's credit history and credit score.

Essential questions

- How does understanding credit scores and credit history help improve your likelihood to get approved for a loan?
- How are the financial decisions people make represented in their credit history?

Objectives


- Understand what a credit score is and how lenders use it when they determine eligibility for a loan
- Become familiar with the factors used to calculate credit scores

What students will do

- Read a handout about credit scores to understand how credit scores may influence lending decisions.
- Play the team game "The case of the missing credit score category."

KEY INFORMATION

Building block:

 Financial knowledge and decision-making skills

Grade level: High school (9-12)

Age range: 13-19

Topic: Borrow (Getting loans, Managing credit)

School subject: CTE (Career and technical education), Math, Social studies or history

Teaching strategy: Gamification

Bloom's Taxonomy level: Remember

Activity duration: 45-60 minutes

STANDARDS

Council for Economic Education
Standard IV. Using credit

Jump\$tart Coalition
Credit and debt - Standard 3

Preparing for this activity

- ☐ While it's not essential, having students complete the "[Reading about credit scores](#)" activity and/or the "[Describing credit scores](#)" activity before doing this one will make it a more meaningful experience.
- ☐ Print copies of all student materials for each student, or prepare for students to access them electronically.
- ☐ Gather five sheets of paper per team or five dry erase boards and markers for teams to write answers during the game.

What you'll need

THIS TEACHER GUIDE

- [Identifying the missing credit score category \(guide\)](#)
[cfpb_building_block_activities_identifying-missing-credit-score-category_guide.pdf](#)

STUDENT MATERIALS

- [The case of the missing credit score category \(worksheet\)](#)
[cfpb_building_block_activities_identifying-missing-credit-score-category_worksheet.pdf](#)
- [All about credit scores \(handout\)](#)
[cfpb_building_block_activities_all-about-credit-scores_handout.pdf](#)
- Paper or dry erase boards and markers

Exploring key financial concepts

Most consumers will interact with a lender at some point in their lives. For instance, they might get a credit card or borrow money to buy a car or a house. When lenders consider whether to loan you money, they often look closely at your credit report, which details your credit history. Your credit report helps lenders evaluate your risk to them as a borrower. Lenders also view your credit score, which is a mathematical prediction of how likely you are to repay credit based on the information in your credit report. Your credit score uses key pieces of your credit history to calculate your score at a moment in time – like a photograph. A credit score reveals a snapshot of your current financial life and may change as your financial habits and financial decisions play out. Since credit reports and credit scores play an important role when you choose to borrow money, it's wise to get to know what's in your credit report and how credit scores work.

Credit scores are calculated using the information in your credit report, and many lenders use them when they decide how much money to lend you and how much interest to charge. Typically, five categories are used to determine an individual's credit score: your payment history, balances/amounts owed, length and depth of credit history, new or recent credit, and the mix of credit types used. Each category represents a percentage of the score. (See the "All about credit scores" handout for a breakdown of these categories).

Teaching this activity

Whole-class introduction

- Distribute the "All about credit scores" handout and "The case of the missing credit score category" worksheet to each student.
- Divide the students into three to five teams. Ask teams to sit together.
- Each team should have five pieces of paper or a dry erase board and markers to write their answers on.
- Introduce the game "The case of the missing credit score category."
- Ask teams to create a line-up (an order of play) for members to participate.
- Explain to students that there will be five rounds of this game, and a different student will be the captain for each round. The captain will write the team's answer.
- Instruct teams to keep their answers face down so others don't see what they've written.
- Teams should be careful not to let other teams hear their discussion.

TIP

Implement this activity during a single class period (as written) or, if students have already been introduced to credit score categories, break it up into smaller components and use it as a warm-up activity over several class periods to more slowly review the topic.

You may choose not to have this completed as a collaborative game, but rather ask students to write down their answers to see who can get them all correct.

Individual work

Give students a few minutes to review the handout to be sure they're familiar with the five categories of credit.

Note: If you did not previously complete the "Reading about credit scores" activity, you may want to give students extra time to read the handout.

Group work

- For each round of the game:
 - Read aloud one lending scenario at a time.
 - Student teams should confer and decide which of the five credit score categories is missing (which might cause a lender to withhold loan approval).
 - They should understand that more than one category may be missing.
 - The captain will write down the missing category(ies) on a blank piece of paper or dry erase board and be prepared to provide a justification for their answer.
 - Ask each team to share their answer and discuss their justification.
 - Award each team one point for a correct answer. If you choose, award another point for a valid explanation of their answer.
- Continue through all five scenarios.
- Add up the team points and celebrate the winning team(s).

TIP

Visit [CFPB's financial education glossary](#) for terms and definitions you may find useful.

Wrap-up

Have students complete an exit ticket that answers these questions:

- Which part of a credit score do you think would be the easiest for you to do well?
- Which would be the most difficult?
- Explain your answers.

Suggested next steps

Consider searching for other [CFPB activities](#) that address the topics of borrowing including types of credit and managing credit.

Measuring student learning

This activity is meant to be a review of content about credit scores.

If you would like to conduct a more formal assessment of student knowledge, you can have students write their answers to each scenario on paper and collect student responses to grade for accuracy.

Keep in mind that students' answers may vary. The important thing is for students to have reasonable justification for their answers.

Lending scenarios (Teacher game instructions)

- Read the scenarios one at a time to student teams so student teams can decide which of the five credit score categories is missing (more than one category may be missing).
- Team captains write down the missing category(ies).
- Teams share their answer and discuss their justification.
- Feel free to share the information accompanying each answer to add to the discussion. Because this document has the answers, do not distribute to students.

Rules

- Award one point to all student teams that identify an appropriate category of a credit score missing from each scenario.
- You may award an additional point for any team that can provide a definition or more information about a missing category.
- Answers may vary; the important thing is for students to have reasonable justification for their answers.

Scenarios

1. Carol Ann is visiting a bank today in hopes of borrowing \$15,000 to buy a car. Here's her credit history:
 - a. Carol Ann has always paid her monthly bills on time. (Payment history)
 - b. She has a home mortgage, two credit cards, and a student loan. (Types of credit used)
 - c. She hasn't applied for any loans in the past three years. (New credit)
 - d. She's had a credit card for 12 years, since her first job. (Length of credit history)

Question: Which of the five categories of a credit score is missing?

Answer: Total debt, balances, and utilization. This category helps the lender determine how much Carol Ann still owes in outstanding debt.

2. Brothers Jacob and Reece want to buy a boat together. After looking at some want ads, they realize they don't have enough money for the type of boat they want, so they've decided to get a loan. A loan officer at their local credit union tells them she'll need to take a look at their credit reports and credit scores. Here are their credit histories:
- a. Both Jacob and Reece have been banking there for seven years, and they've had credit cards for the same length of time. (Length of credit history)
 - b. Neither Jacob or Reece has taken out a loan in the past two years. (New credit)
 - c. Jacob is almost done paying off a car loan; he owes less than \$1,000. Reece has \$4,000 left on his student loans. (Amount of credit in use)
 - d. Other than the credit cards, car payment, and student loan, they have no other debt. (Types of credit)

Question: Which of the five categories of a credit score is missing?

Answer: Payment history. This category shows your payment history and any payments you have may have missed during the past seven years.

3. Ben and his partner Eli want to start a small bakery and cafe in a city warehouse that's being redeveloped. They'll need a business loan. A local loan officer tells them their bank will need to know what assets and liabilities they have and also review their individual credit reports and scores before granting them a business loan. Here are their credit histories:
- a. Ben and Eli have outstanding debt of \$100,000 in a home mortgage loan; and they owe \$10,200 on a car loan and \$3,515 on credit cards. (Amount of credit in use)
 - b. They have applied for another car loan and a store credit card in the past two weeks. (New credit)
 - c. Ben and Eli both have made late payments over the past five years. (Payment history)
 - d. Each has two credit cards and a store card, and one brother has a car loan. (Types of credit used)

Question: Which of the five categories of a credit score is missing?

Answer: Depth/length of credit history. Having a longer relationship with a lender can help boost your credit score.

4. Zion wants to study abroad in his junior year of college. He has money to contribute to his trip, but not enough to pay for meals, transportation, and room and board. To help cover these costs, Zion wants to get a \$2,000 personal loan rather than use credit cards or add to his student loans. Here's his credit history:
- a. Zion has never missed a credit card payment. (Payment history)
 - b. He has had his credit card for two years. (Length of credit history)
 - c. He hasn't applied for any car loans or other loans recently because he knows he won't need a car for another year since he plans to study abroad. (New credit)
 - d. Zion has a credit card with a spending limit of \$5000 and a balance of \$1,855 on his credit card. This means he is using 37% of his credit limit. (Amount of credit in use)

Question: Which of the five categories of a credit score is missing?

Answer: Types of credit used. He provided his loan officer with information about his credit card, but not about his student loans. Credit scores take into account all types of credit used and Zion's history of student loan amounts borrowed and history of payments made would appear on his credit report.

5. Jackie and Blaze just learned they need a new roof on their house because it's leaking. The estimated cost is \$15,000, and insurance won't cover it. Jackie and Blaze have kids in college and don't have the savings to cover that expense. They've decided to look into getting a home equity loan. Here are their credit histories:
- a. Jackie and Blaze have eight credit cards among them, a store card, a personal loan and a mortgage loan. (Types of credit used)
 - b. They've applied for two store cards and a personal loan in the past 3 weeks. (New credit)
 - c. They've have had two of their credit cards for six years, while the other six cards have been approved in the past year. (Length of credit history and new credit)
 - d. They each have a car and have paid their car loans in full. (Payment history and types of credit)

Question: Which of the five categories of a credit score is missing from this list (though would likely appear on their credit report)?

Answer: Total debt, balances, and utilization. This category helps the lender determine how much Jackie and Blaze still owe in outstanding debt. Even though Jackie and Blaze forgot to include it on their list, it would likely be a part of their credit report.